

103^D CONGRESS
1ST SESSION

H. R. 1816

To amend the Internal Revenue Code of 1986 to increase the percentage depletion deduction for oil and natural gas produced from stripper well properties, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 22, 1993

Mr. BREWSTER (for himself and Mr. McCRERY) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to increase the percentage depletion deduction for oil and natural gas produced from stripper well properties, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stripper Well Opera-
5 tors Preservation Act of 1993”.

1 **SEC. 2. INCREASED PERCENTAGE DEPLETION FOR OIL AND**
2 **NATURAL GAS PRODUCED FROM STRIPPER**
3 **WELL PROPERTIES.**

4 (a) IN GENERAL.—Subparagraph (C) of section
5 613A(c)(6) of the Internal Revenue Code of 1986 (relating
6 to oil and natural gas from marginal properties) is amend-
7 ed—

8 (1) by striking “25 percent” and inserting
9 “28.5 percent”,

10 (2) by striking “15 percent” and inserting “20
11 percent”, and

12 (3) by striking “\$20” and inserting “\$28”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to taxable years beginning after
15 the date of the enactment of this Act.

16 **SEC. 3. NET INCOME LIMITATION ON PERCENTAGE DEPLE-**
17 **TION REPEALED FOR STRIPPER WELL PROP-**
18 **ERTIES.**

19 (a) IN GENERAL.—Section 613(a) of the Internal
20 Revenue Code of 1986 (relating to percentage depletion)
21 is amended by striking the second sentence and inserting:
22 “Except in the case of stripper well properties as defined
23 in section 613A(c)(6)(E) for which depletion is computed
24 in accordance with section 613A(c)(6), such allowance
25 shall not exceed 50 percent (100 percent in the case of
26 oil and gas properties other than stripper well properties

1 as defined in section 613a(c)(6)(E) for which depletion is
 2 computed in accordance with section 613A(c)(6)) of the
 3 taxpayer's taxable income from the property (computed
 4 without allowance for depletion).''

5 (b) CONFORMING AMENDMENT.—Section 613A(c)(7)
 6 of such Code (relating to special rules) is amended by
 7 striking subparagraph (C) and redesignating subpara-
 8 graph (D) as subparagraph (C).

9 (c) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to taxable years beginning after
 11 the date of enactment of this Act.

12 **SEC. 4. EXPANSION OF ENHANCED OIL RECOVERY CREDIT.**

13 (a) IN GENERAL.—Section 43(a) of the Internal Rev-
 14 enue Code of 1986 (relating to enhanced oil recovery cred-
 15 it) is amended to read as follows:

16 “(a) GENERAL RULE.—For purposes of section 38,
 17 the enhanced oil recovery credit for any taxable year is
 18 an amount equal to—

19 “(1) 15 percent of the taxpayer's qualified en-
 20 hanced oil recovery costs for such taxable year, plus

21 “(2) in the case of a taxpayer (other than an
 22 integrated oil company as defined in section
 23 291(b)(4)), 15 percent of the taxpayer's stripper
 24 well production costs for such taxable year.”.

1 (b) STRIPPER WELL PRODUCTION COSTS, ETC.—
2 Section 43(c) of such Code (defining qualified enhanced
3 oil recovery costs) is amended by redesignating para-
4 graphs (3) and (4) as paragraphs (4) and (5), respectively,
5 and by inserting after paragraph (2) the following new
6 paragraph:

7 “(3) STRIPPER WELL PRODUCTION COSTS.—

8 “(A) IN GENERAL.—The term ‘Stripper
9 Well Production costs’ means any of the follow-
10 ing:

11 “(i) Any amount paid or incurred dur-
12 ing the taxable year for tangible prop-
13 erty—

14 “(I) which is an integral part of
15 a qualified stripper well recovery
16 project, and

17 “(II) with respect to which de-
18 preciation (or amortization in lieu of
19 depreciation) is allowable under this
20 chapter.

21 “(ii) Any intangible drilling and devel-
22 opment costs—

23 “(I) which are paid or incurred
24 in connection with a qualified stripper
25 well recovery project, and

1 “(II) with respect to which the
2 taxpayer may make an election under
3 section 263(c) of the taxable year.

4 “(B) QUALIFIED STRIPPER WELL RECOV-
5 ERY PROJECT.—The term ‘qualified stripper
6 well recovery project’ means any project
7 which—

8 “(i) involves a stripper well property
9 as defined in section 613A(c)(6)(E),

10 “(ii) involves the application (in ac-
11 cordance with sound engineering prin-
12 ciples) of recovery methods approved by
13 the Secretary for purposes of this section
14 which can reasonably be expected to result
15 in prolongation of the productive life of
16 such stripper well property and in more
17 than an insignificant increase in the
18 amount of crude oil which will ultimately
19 be recovered, and

20 “(iii) is located within the United
21 States (within the meaning of section
22 638(1)).

23 “(C) CERTIFICATION.—A project shall not
24 be treated as a qualified stripper well recovery
25 project unless the operator submits to the Sec-

1 retary (at such times and in such manner as
2 the Secretary provides) a certification that the
3 project meets (and continues to meet) the re-
4 quirement of subparagraph (B).”.

5 (c) NO DOUBLE CERTIFICATION.—Section 43(c) of
6 such Code, as amended by subsection (b), is amended by
7 adding at the end thereof the following new paragraph:

8 “(6) ONLY 1 CERTIFICATION ALLOWED.—For
9 purposes of this section, the term ‘qualified en-
10 hanced oil recovery project’ shall not include any
11 project which is certified as a qualified advanced sec-
12 ondary recovery project under paragraph (3) and the
13 term ‘qualified stripper well recovery project’ shall
14 not include any project which is certified as an en-
15 hanced oil recovery project under paragraph (2).”.

16 (d) CONFORMING AMENDMENTS.—

17 (1) Paragraph (4) of section 43(c) of such
18 Code, as redesignated, is amended by inserting “and
19 qualified stripper well recovery costs” after “quali-
20 fied enhanced oil recovery costs”.

21 (2) The heading for subsection (c) of section 43
22 of such Code is amended by inserting “AND QUALI-
23 FIED STRIPPER WELL RECOVERY COSTS” after
24 “COSTS”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply in the case of amounts paid or
3 incurred in taxable years beginning after the date of en-
4 actment of this Act.

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